



POLICY BRIEF 9

A NEW CHAPTER IN WOMEN'S LABOR FORCE PARTICIPATION: RISING RATES AMONG NEVER-MARRIED MOTHERS

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By 1990, the labor force participation rate of married women with children under 18 had more than doubled.



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Over the last few decades, there has been a dramatic increase in women's overall rate of participation in the labor force, from 38 percent in 1960 to 60 percent by 2000. This increase has contributed, in large part, to a considerable narrowing of the gender differential in participation rates, from a 46 percentage point difference in women's and men's rates in 1960 to just under a 15 percentage point difference in 2000.¹ A close look at the data indicates that changes in women's *overall* labor force participation rates have been influenced by changes in the participation of different *subgroups* of women at various points in time. From the 1960s through the 1980s, participation rates increased substantially for married mothers, including those with small children; during the 1990s, their rates have held fairly steady. Since the latter half of the 1990s, there has been a dramatic increase in the participation rates for *never-married mothers* with children. This policy brief details these changes in women's labor force participation, provides explanations for them, and discusses prospects for the future.

As shown in Figure 1, in 1960 it was rare for a married woman with children to be in the labor force; only 28 percent of married women with children under age 18 (31 percent of all married women, not shown) were labor force participants. By 1990, the labor force participation rate of married women with children under age 18 had more than *doubled*, from 28 to 66 percent. Trends for married women with younger children are similar, though their participation levels have been historically lower.

The rising participation rate for married women with children and women under age 45, more generally, can be explained by a number of interrelated demographic and economic factors (Blau, Ferber, and Winkler, 2002). For instance, fertility rates fell considerably over the period, from 3.7 births per woman in 1960 to 2.1 in 1990, which reduced time spent childrearing and enabled women to enter and remain more continuously in the labor market. In addition, rising divorce rates also may have increased women's need to participate in the labor force, due to a loss of their spouses' earnings. Rising divorce rates also may have induced some married women to seek employment in an effort to reduce the risks associated with being a "displaced homemaker" in case of future divorce. In addition, the inflation-adjusted average wage increased for all women, but especially for well-educated women, which also spurred women's labor force participation.

Labor participation rates for married women with children increased not only as a result of the aforementioned factors, but also because their responses to the presence of

children and the level of their husbands' earnings changed over this period; married women, even those with small children, became more willing to participate and their participation decisions became less contingent upon their husbands' economic success and much more responsive to their own rising labor market opportunities (Juhn and Murphy, 1997). The effects of these changes are visible today. The participation rate for married women with children under age 6 is now nearly 63 percent.

As Figure 1 shows, since the 1990s, while married women's participation rates have continued to rise, the rate of increase has slowed considerably. One possible explanation is that those mothers with the greatest incentive to participate had already done so. Most likely, rates will continue to rise, though more slowly than in earlier years, as women continue to accumulate more market-oriented education and increasingly enter more lucrative nontraditional fields. A renewed sharp increase is not expected however, unless other changes take place as well. These might include: a substantial increase in the availability of affordable quality day care perhaps via additional government subsidies and tax credits; a change in the federal income tax structure so that the individual, not the family, is the unit of taxation; the wider provision of family-friendly policies to enable mothers and fathers to better balance the competing demands of paid work and family; and a much greater equalization in household responsibilities borne by husbands and wives than is currently the case.

Next we turn to a comparison of participation rates of married and never-married mothers. Figure 1 shows that from the 1980s until the mid 1990s, married mothers consistently participated in the labor market at higher rates than never-married mothers. As recently as 1996, 70 percent of married mothers participated in the labor market compared with only 61 percent of never-married mothers. However, starting in 1997, there has been a reversal in this established pattern, with rates for never-married mothers now somewhat *exceeding* those of married mothers. For 2000, 74 percent of never-married mothers participated in the labor force, as compared with 71 percent of married mothers. Indeed, from 1996 to 2000, the labor force participation rate of never-married mothers increased by 13 percentage points (from 61 to 74 percent). What explains this dramatic surge? Economists, including Blank (2000), point to three concurrent events that occurred in the mid 1990s: 1) the extremely buoyant U.S. economy, which was characterized by unemployment rates as low as 4 percent; 2) changes in welfare; and 3) expansions in the Earned Income Tax Credit (EITC).

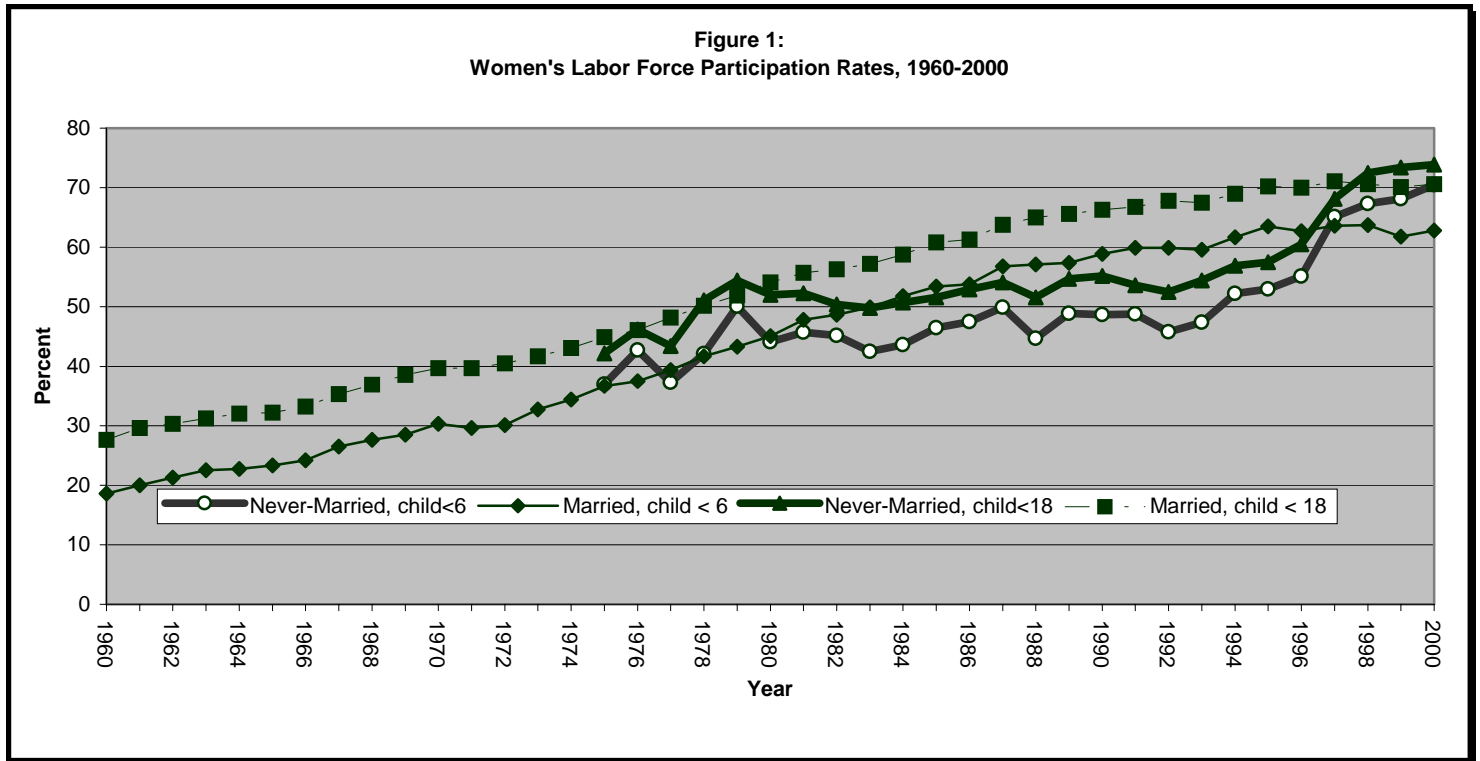
While it is clear that a buoyant economy encourages labor market activity, somewhat more detail is required regarding the expected effects of the other changes. In August 1996, the former welfare program which largely served single-parent families, Aid to Families with Dependent Children (AFDC), was replaced by Temporary Assistance for Needy Children (TANF). One of the major differences is that TANF requires recipients to work within two years. To this end, many states have adopted policies that seek to get welfare recipients into paid employment as quickly as possible. So, it is expected, all else equal, that participation rates for single mothers will increase under this program. The EITC, which is a fully refundable federal tax credit, also encourages work by families with low earnings, in this case by subsidizing earnings.² In the mid 1990s, the EITC was expanded considerably, so that earnings for some families are now subsidized by as much as 40 percent, up to a maximum credit of as much as \$3,888 per year for a family with two children in 2000.

TANF and the other changes noted above do appear to have been successful at increasing the employment of single mothers, whether never-married, previously divorced, or widowed. For instance, since the mid-1990s employment among never-married mothers with children, has increased considerably more rapidly than among married women and never-married women without children (the latter series not shown in Figure 1). Further, the employment rate for single mothers receiving welfare, though still low, increased substantially, as was intended by the legislative changes. Nearly three times as many welfare recipients had earnings in 1998 as in 1993, prior to the new welfare legislation (U.S. Department of Health and Human Services, 2000). The EITC has also played an important role. For instance, one study finds that the expansion in the EITC between 1984 and 1996 can explain as much as 60 percent of the increase in annual hours worked of single mothers over that period (Meyer and Rosenbaum, 1999). At present, researchers are working to disentangle the effects of these three factors, but what is clear thus far is that they have all contributed to the recent rise in participation rates and their effects are reinforced by one another. For instance, the work incentives of the EITC are strengthened by a strong economy.

Starting in 1997, the established pattern reversed as the participation rates of never-married mothers in the workforce exceeded the participation rates of married mothers.

Since 2001, the national unemployment has risen modestly from the lows of the late 1990s and 2000. It is not yet clear to what extent the recent surge in labor force participation among never-married mothers will be sustained. On the one hand, a much greater fraction of women than in the past are attached to the labor market and many will likely remain so. On the other hand, a considerable economic downturn or poor long-term job prospects may stall or reverse recent employment trends. And, of course, having a job per se, does not necessarily translate into long-term economic security. Consider a worker who works full-time, full-year at the minimum wage, thereby earning \$10,300. If this worker has two children, she would be eligible for the maximum EITC of \$3,888, which would raise her income to just slightly above the official U.S. poverty line of \$13,737 for a family of three in 2000.³ Further, at some point it will be increasingly difficult to move additional numbers of TANF recipients from welfare to work. Existing programs in many states may be insufficient not only for those who lack qualifications, but also for those who face the other types of employment barriers including discrimination, and physical or mental health problems. Finally, increases in participation rates of never-married mothers, and single mothers in general, will critically depend on the availability of affordable, quality day care.

In summary, labor market participation of mothers with even young children is now the norm rather than the exception. This holds true for both married mothers and never-married mothers. Along with these changes, women are seeking more education and advanced degrees, are increasingly entering nontraditional occupations, and many are remaining in the labor force continuously, as has been the pattern for men.



Sources: U.S. Statistical Abstract: 2001, Table 577; Bureau of Labor Statistics, *Handbook of Labor Statistics*, Bulletin 2340 (August 1989); Bernan Press, *Handbook of U.S. Labor Statistics*, 1st Edition (1997). Note: Due to a revision in the BLS survey in 1994, data before and after 1994 are not strictly comparable.

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Footnotes:

¹ Also contributing to this change was a more modest *decrease* in men's participation rates, from 83 to just under 75 percent over the same period.

² While the EITC encourages participation for single parents with low earnings, it does not encourage labor force participation by all adults. Because the credit is based on family earnings, it has been found to reduce the participation of wives in married couple families. See Eissa and Hoynes (1999).

³ It is also the case that individuals must pay payroll taxes and often have child care expenses, but on the other hand, they may receive government subsidies such as food stamps and some child care subsidies. Ellwood (1999) finds that these other factors virtually offset each other, leaving income for this family at around the poverty threshold.

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....THEY ARE CREATED BY THE PEOPLE WHO LIVE IN THEM.

